

WASHINGTON STATE DEPARTMENT OF REVENUE



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**Increased Enforcement and Tougher Penalties Persuade Business to Voluntarily Register Before They Are Caught**

**OLYMPIA, Wash., April 14, 2004** — The number of unregistered businesses voluntarily registering and paying back taxes has nearly doubled since the Washington State Department of Revenue increased enforcement personnel and tougher penalties for violators went into effect, Department of Revenue officials say.

Last year, the Legislature increased the penalties imposed on unregistered businesses, and gave the Department more agents to catch them.

“Unregistered businesses shouldn’t have a competitive advantage over honest businesses,” said Department Director Will Rice. “There is a real benefit to coming forward voluntarily rather than waiting to be caught.”

Under a Voluntary Disclosure program, businesses can contact the Department either directly or through intermediaries such as accountants or attorneys to register and resolve their tax liabilities. Benefits include full or partial waiver of penalties and limiting look-back periods to four years rather than the typical seven years or more.

Program auditor Roy Dennis said nearly twice as many businesses have come forward in the last six months. He counted 106 businesses between October and March, compared to 56 during the same period a year earlier.

Dennis believes that the stepped-up interest is being driven by the increased outreach efforts and tougher penalties, which include increasing the penalty for late payment of taxes to a maximum of 25 percent; adding a new 5 percent penalty for any unregistered business discovered by the

Department, and tacking an additional 5 percent penalty onto all billings and assessments. That totals 35 percent – plus any taxes and interest due.

One out-of-state company that recently voluntarily came forward is Colins & Aikman Floor Coverings. The Dalton, Georgia manufacturer of commercial carpets contacted Revenue after it realized that it needed to register, according to tax manager Scott Harden.

Harden said the company paid \$226,000 in back taxes to the state, but the cost would have been much higher had the company been identified by Washington tax discovery agents and audited.

"It went better than with any other state we've had an audit or voluntary disclosure with," Harden said.

The state has collected nearly \$25 million in tax from 294 companies that have voluntarily come forward to pay back taxes and interest since the program began in 1993. These companies saved almost \$4 million in taxes and penalties because of a shorter look-back period.

Meanwhile, stepped up enforced efforts are yielding results. The Department discovered 2,530 unregistered businesses during the last fiscal year alone, and slapped them with \$22.8 million in back taxes, fines, and in some cases criminal charges.

"My advice to unregistered businesses? Don't bet your business you won't be caught," Rice said. "The additional penalties and tax you'll have to pay could make the difference between staying in business and having to close your doors."

Contractors and providers of personal and business services are among common types of unregistered businesses identified by Revenue agents. In many cases, individuals don't even realize that what they are doing constitutes being a business, Rice said. For example, someone working for a landscaping company may strike out on his own but fail to get a business license because he thinks of himself as an individual and not a business.

For more information on what constitutes a business and the Voluntary Compliance program, visit [http://dor.wa.gov/content/doingbusiness/registering/doingbus\\_vod.aspx](http://dor.wa.gov/content/doingbusiness/registering/doingbus_vod.aspx), call (360) 725-7590, or e-mail [voluntarydisclosure@dor.wa.gov](mailto:voluntarydisclosure@dor.wa.gov).

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